

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## ***Reforms Abroad Needed For World Stability***

WASHINGTON—The temperature of the American-Russian conflict for world leadership is not likely to fall as long as this country neglects the roots of those problems of social and economic maladjustment abroad which offer tempting propaganda material for Marxist spokesmen. Yet disappointment and uncertainty over the American ability to improve conditions in countries which lack the flexibility of our society and our long tradition of representative government inherited from the English people characterized the address of Secretary of State Dean Acheson at the dinner of the Alfred E. Smith Memorial Foundation in New York on October 20. "We cannot make a world, as God did, out of chaos," said the Secretary. "We can greatly help those who are doing their utmost to succeed by their own efforts. We cannot direct or control."

### ***New Foreign Policy Problems***

Yet many of the countries which are currently or potentially focal points of American-Russian rivalry remain politically and economically under the control of ruling groups which are either not interested in or actually opposed to internal changes and thereby expose their governments to Communist pressures. Some of these groups have much to lose economically from change. For example, three-fourths of the members of the Syrian parliament are large landowners, at a time when one basic need of Syria, a key nation in the disturbed Middle East, so unstable that it has lost two governments by violent overthrow in 1949, is redistribution of land.

The tone of Secretary Acheson's ad-

dress, with its pessimistic implications, reflects official uncertainty about new steps required to carry forward American foreign policy in all its aspects. While the United States has won the gratitude of the Western world for its generosity in making, post-war credits and grants, the realization is growing both here and abroad that spending has neither stabilized our foreign zone of interest nor barricaded all the avenues through which the Soviet Union can reach beyond its present sphere.

Even well-developed industrial nations feel the consequences of this uncertainty. The State and Treasury departments have been unable so far either to soften the effect of British devaluation on Western European continental nations or to devise programs in cooperation with Britain itself for correcting the economic maladjustment which precipitated devaluation. Although one aim of devaluation was to improve Britain's competitive position with respect to the United States, the Maritime Commission is preparing a recommendation for an increase in the subsidies granted to American shipping lines, and one of the arguments heard in the Commission is that without larger subsidies British devaluation might injure the American merchant marine's competitive advantage.

The tariff-lowering agreements signed at Annécý, France, which the United States made public on October 9, ostensibly broaden the American market for British and other foreign producers. But the benefits granted to foreign agricultural commodities are diluted by the practice of the Department of Agriculture of re-

fusing to issue import licenses for goods in surplus here, including Danish butter, which is specifically mentioned in the Annécý agreements. Perhaps such contradictions cannot be escaped, yet they weaken the appeal of the United States for world-wide support in its contest with Russia. Swedish Minister of Defense Allan Vought said on October 16: "In case of a new conflict, it should be considered possible for Sweden to keep out." On October 17 Indian Prime Minister Jawaharlal Nehru declared that his country was not ready to side with either America or Russia in their dispute.

The conference of American ambassadors to Eastern European countries which opened on October 24 in Paris under the chairmanship of George W. Perkins, Assistant Secretary of State for European Affairs, underlined Washington's uneasiness about the stability of Europe, an unshakeable rock compared with most of Asia. In Europe, as elsewhere, American reluctance to encourage revision of the traditional economic and political structure grows increasingly noticeable, especially in Germany, where the industrial and agrarian sources of political power retain essentially the lopsided pattern they had when Hitler began to exploit them.

Subsidies merely plaster over the economic maladjustments which the occupation has been unable to eradicate. Instead of assuming the guidance of Germany, the United States now finds it necessary to grant favors to the Western German Federal Republic in order to keep it loyal to the North Atlantic pact powers. The question has arisen informally in Washington

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whether the West should not sign a peace treaty with its portion of Germany in order to balance Moscow's action of creating the German Democratic Republic. Yet a peace treaty would probably mean the end of occupation, which might in turn terminate the military strategic usefulness of Germany to the United States.

### ***Reluctance to Intervene***

Secretary Acheson's statement draws attention to a profound dilemma in American foreign policy. Considering the degree of interest which this country has shown since World War II in the internal affairs of Asiatic countries, its constructive influence over their policies remains slight. The case of China is by now familiar. The United States, for example, has been reluctant also to intervene on behalf of

basic social change and political reform in Turkey and Iran, which draw their military strength from us. The Allied occupation of Japan has made possible the transfer of five million farm acres from tenants to new owners, but American authorities at the same time have facilitated the political rise of conservatives who object to land reform and are even now trying to alter it. The reluctance of local authorities in many backward nations to work for improvement has been underlined by the experience of the United Nations Economic Survey Mission to the Middle East, which numbers among its tasks the promotion of improved economic conditions in the Fertile Crescent. Although economic reform inevitably means political change, Tawfiz Pasha Abu-al-Huda, Jordan Prime Minister, re-

marked on October 17 that the possibility of rehabilitating refugees from the Palestine war might have been greater if the mission had not allowed political considerations to influence its work.

While it is not our duty, nor is it in our power, to make over the world for the sake of idealistic objectives, we may discover that practical concern requires us to oppose vested interests which block reform in areas where great segments of the population are helpless to influence the course of economic or political affairs. At the same time American intervention might be regarded by the countries where we intervene as just another form of imperialism, unless such intervention takes place within the framework of the United Nations.

BLAIR BOLLES

## ***Western European Socialism Faces New Tests***

Contrary to expectations, the general elections held in Norway on October 10 resulted in an overwhelming victory for the Labor party and the elimination of all the eleven seats held by Communists in the previous Parliament. The clearly expressed preference of a majority of Norwegians for a government which has practiced a program of austerity, moderate nationalization and strict economic controls has heartened those who believe that European socialism—under which a mixed economy of private and public enterprise is administered through democratic political institutions responsible to the electorate—is the soundest and most effective antidote to extremism of both Right and Left.

Although Norway is a close neighbor of the U.S.S.R. and—especially since it joined the North Atlantic pact—might have reason to feel apprehensive about Communist infiltration and the threat of the Russian atom bomb, the Labor government saw no need to take repressive measures against native Communists. It defeated them not by attempts to circumscribe their activities but by constructive efforts to alleviate economic and social strains that would otherwise create fertile soil for communism.

The outcome of the Norwegian elections was particularly welcomed in Britain. Prime Minister Attlee, judging by his decision to await the verdict of the voters at the end of his cabinet's full five-year term in 1950 rather than to hold crisis elections now in the wake of devaluation, hopes that a majority of the British people will simi-

larly continue to support socialism whatever the strictures of its critics in Britain and the United States. Attlee's determination to continue the program Labor initiated in 1945 was revealed on October 24 when, first in the House of Commons and then in a fifteen-minute radio speech, he announced a series of economies in domestic and overseas spending which will slow down the pace of development of the "welfare state" but will leave intact its essential features, including the much-debated health service.

### ***Test of Socialism in France***

While in Britain and in the Scandinavian countries it appears that socialism of a democratic character has come to stay, in France, where no political leader has yet found it possible to form a cabinet since the resignation of Premier Henri Queuille on October 6, the fate of socialism remains in the balance. The failure of Socialist Jules Moch, Minister of the Interior in the Queuille government who is regarded as one of the country's strong men, was due primarily not to pressure from the two extremes—Gaullists and Communists who have been at one in deriding the "Third Force" and demanding dissolution of the National Assembly and new elections—but to the sharp divergence on economic policy among the middle-of-the-road parties which under favorable circumstances might constitute France's "vital center." M. Queuille's Radical Socialists, for the most part representing moderate middle class elements, are in-

creasingly apprehensive about economic and social measures which have the support not only of the Socialists but also of the predominantly Catholic Popular Republicans (MRP), led by former Foreign Minister Georges Bidault and the eloquent journalist, Maurice Schuman. To the right of the Radical Socialists, a group of independents who describe themselves as "liberals," under the leadership of former Premier Paul Reynaud, one of France's most distinguished financial experts, urge abandonment of all controls and return to *laissez-faire*.

Both the Popular Republicans and the Socialists, in their opposition to dismantling of the modest program of socialization carried out in France since its liberation and in their demands for improvement of the lot of industrial workers, are responding to the pressure of their respective followers among labor unions—the Catholic unions and the *Force Ouvrière*, middle-of-the-road non-sectarian federation headed by Socialist Léon Jouhaux which in 1948 split off from the *Confédération Générale de Travail* (CGT) which had opposed the Marshall Plan. All unions agree on the need to raise wages, especially in the lower categories, in the wake of price increases expected following devaluation. The Socialists, who are now regarded by many workers as too "bourgeois" to understand their needs, feel under necessity to urge satisfaction of the unions' demands, fearing that otherwise the workers will either drift back to the Communist party, which lost considerable support after

the political strikes of 1948, or else, as has been increasingly the case during the past year, become apolitical, thereby weakening French democracy.

### ***Integration of Producers***

The basic political problem of France, although it seems particularly acute there, is common today to all advanced industrial nations with a long democratic tradition. It is how to make the producing groups—employers and workers—directly responsible to the people through accepted parliamentary institutions without impairing fundamental individual liberties. In short, the problem is how to integrate into the democratic political framework the operations of modern industrial economic systems, which at present are subject to the decisions of employer and worker organizations that have assumed many of the functions and prerogatives of states within the state and, sometimes with the

best of intentions, tyrannize over fellow citizens as successfully as any political despot.

Leading French Socialists believe that the most workable combination, in countries predominantly or largely Catholic, would be a coalition of Socialists and Catholics who, while differing about clericalism, would have in common their desire to advance human welfare. Such coalitions, they think, might be achieved in France by the Socialists and the Popular Republicans, and in Germany by the left-wing Christian Democrats headed by Karl Arnold and the Social Democrats—with eventually favorable results for Franco-German cooperation in the Council of Europe. In this connection it is useful for us here to acquaint ourselves with the pronouncements of eminent European churchmen and with the writings of European Catholics in such publications as *Esprit*, issued in Paris by Emmanuel

Mounier. In a joint letter made public on September 14, France's four Cardinals, while urging faithful obedience to the July 13 decree of the Congregation of the Holy Office forbidding Catholics to lend support to Communist parties, warned that the decree did not commit the Church to "an anti-Communist crusade," nor was it to be regarded as a defense of capitalism. Commenting on the July 13 decree in its September issue, *Esprit* declared that the Church should take under its protection moral principles violated by the Communist revolution but not the old social order in Communist-ruled countries. Catholics, it contended, should examine the situation in these countries with an open mind, instead of expecting miraculous termination of the current crisis through the intercession of a third World War.

VERA M. DEAN

(The first of three articles on socialism, communism and the future of democracy in Europe.)

## ***Power Rivalries Endanger Trieste's Economic Future***

The political and economic importance of the Free Territory of Trieste is out of all proportion to its size. The Yugoslav Zone comprises less than 200 square miles, while the Anglo-American Zone encompasses a mere 86 square miles, hugging the shore of the Adriatic and including the city of Trieste. But Trieste, first built as a great port by the Austro-Hungarian Empire and further subsidized by Italy during the inter-war years, is a communications center important to Austria, Hungary, Czechoslovakia and Yugoslavia, as well as Italy. During the first six months of 1949, for example, 3,811 ships of all sizes arrived in this bustling port with its huge, sprawling sheds and warehouses capable of storing 250,000 tons of goods and equipped with the most modern cranes, elevators and tractors as well as complete railway facilities. Between April 1 and June 30, 1949, 359 freight cars left Trieste for Hungary; 2,697 for Yugoslavia; 4,203 for Italy; 7,277 for Czechoslovakia; and 23,258 for Austria.

In addition to its port and railroad facilities, Zone A contains important shipyards, scheduled to construct about 100,000 tons of shipping between 1948 and 1952, and two modern oil refineries. The "Aquila" refinery, capable of processing half-a-million tons of crude oil annually, has been completely renovated since the end of the war.

By contrast with the commercial-indus-

trial life of the Anglo-American zone, Zone B of the Territory is an agricultural area. It lacks a single railroad line except for an insignificant stretch of the Trieste-Pisino-Pola line which cuts across the northeast border of the Zone, and its major exports are wines, fruits, vegetables and lumber. The deterioration of political relations between the two zones has encouraged the economic division of the Territory. Production in Zone B competes with that of Italy, and the British-American Zone, in accepting Italian financial assistance, has had to turn to Italy, rather than to Zone B, both for Trieste's food and raw material import requirements and as a market for its exports of manufactured products which have been in demand among Italians. Between the first quarter of 1948 and the second quarter of 1949 the value of Trieste's manufactured goods exported to Yugoslavia (including Zone B) fell by almost 300 million lira.

### ***Currency Problems***

Early in July 1949 Yugoslavia, at the request of Colonel Mirko Lenats, head of the Yugoslav military administration, felt compelled to withdraw the Yugoslire which had been pegged at an unrealistic rate of 1:2 Italian lire, introducing the Yugoslav dinar at a rate of 30 dinar for 100 Yugoslire or 200 Italian lire. The net effect on the thousands of residents in Zone B who are employed in or trade with

Zone A was a devaluation of their Italian lira to the advantage of the Yugoslav dinar. Simultaneously Yugoslavia loaned Zone B one-half billion dinars (\$10 million).

Although the United States and Britain protested this move on July 14, it is difficult to see what alternative remained for Yugoslavia in the face of Zone A's economic links to Italy. Two weeks later Enrico Martino, Italian Minister to Yugoslavia, approached Marshal Tito with the object of renewing trade talks between Italy and Yugoslavia, which culminated in the signing of a trade pact on August 4, providing for a considerable exchange of goods between the two countries.

To the economic problems of the Free Territory, which complicate any political settlement, must be added the peculiar ethnic character of the region. While the Commune of Trieste, with its quarter of a million population, is 85 per cent Italian, in the other five communes of Zone A there are roughly 14,000 Slovenes to 10,000 Italians. In Zone B, where the majority of the 65,000 people are Italian or speak the Italian language, the Yugoslav administration has reversed the Italian Fascist policy of "denationalization" and has established almost equal numbers of separate elementary and secondary schools for Serbs, Croats and Italians. All three languages are taught and are considered official.



The long-standing animosity between Italians and Slavs is now exaggerated and inflamed by nationalist aspirations voiced in Italy, where many still want to recover Venezia Giulia and hegemony over the Adriatic. Although the Western Allies made a pledge to return the Territory to Italy eighteen months ago, just before the crucial Italian elections of April 1948—a policy reasserted by General Airey as recently as August 27—there seems to be no immediate pressure for a definitive settlement. So far as external defense goes, Zone A could be returned to Italy, for it has 6,000 well-trained and well-equipped local security police. But with the waning strength of the Communists in Italy, the delicate cultivation by the West of Tito's resistance to the Soviet Union, and the partial relief of the area's economic burden through Italian cooperation, the Western governments seem more likely to pursue a watch-and-wait policy, using Trieste and the Zone A-Zone B settlement as a lever of negotiation when necessary.

GERARD J. MANGONE

(The second of two articles on Trieste. Gerard J. Mangone, Assistant Professor of Government at Wesleyan University, visited Trieste and Italy during the summer.)

## F.P.A. Bookshelf

*The Task of Nations*, by Herbert V. Evatt. New York, Duell, Sloan and Pearce, 1949. \$3.00

With his customary forthrightness, Dr. Evatt, president of the United Nations General Assembly in 1948-49, analyzes the work of that Assembly, with special reference to the Berlin crisis and Palestine. In his opinion, "anything that reduces the predominance in the world of two or three powers is a good thing for peace, and hence too for the real interests of the great powers themselves." He therefore welcomes every sign of independent thought and action on the part of the small and middle countries, among which his own country, Australia, has played a prominent role.

*Soviet Arms and Soviet Power: The Secrets of Russia's Might*, by General Augustin Guillaume. Washington, Infantry Journal Press, 1949. \$3.50

A French general presents the view that the Russian army can take the credit "of having by itself alone put an end to the Blitzkrieg by destroying the divisions of Hitler in front of Leningrad, Moscow and Stalingrad, and of then sustaining without breakdown a struggle without precedent in size and ferocity against the principal masses of the German army." He attributes Soviet victory not merely to the bravery of the Russian soldiers but to the military and industrial preparation effected, and the discipline imposed, by the Soviet dictatorship.

## Fourth Anniversary of UN

This week the United Nations is celebrating its fourth anniversary. Refresh your knowledge of the activities, problems and achievements of the UN by reading the following FPA publications:

### Foreign Policy Reports

PROPOSALS FOR STRENGTHENING THE UNITED NATIONS, by Clyde Eagleton, September 1, 1949.

TECHNICAL SPECIALIZED AGENCIES OF THE UN AND HUMAN WELFARE SPECIALIZED AGENCIES OF UN, both by Fred L. Hadsel, November 15, 1947 and February 1, 1948.

Single copies, 25c; subscriptions \$5; to FPA members, \$4.

### Headline Series

REPORT ON THE UNITED NATIONS, by Thomas J. Hamilton and Vera Micheles Dean, May-June 1949.

FREEDOM'S CHARTER, by O. Frederick Nolde, July-August 1949.

Single copies, 35c; subscriptions \$2 for 6 issues.

## Branch and Affiliate Meetings

\*CLEVELAND, November 1, *Yugoslavia: Rebel in the Balkans*, Stoyan Pribichevich

\*NEW YORK, November 1, *China and Southeast Asia: What Next?*, Owen Lattimore, Stewart Alsop

POUGHKEEPSIE, November 1, *Is Germany on the Road to Democracy?*, Felix E. Hirsch

ST. PAUL, November 3, *The Economic Consequences of American Foreign Policy*, Seymour E. Harris

\*BUFFALO, November 5, *U.S.A.-U.S.S.R.: Today's Super-Powers*, Vera Micheles Dean

\*Data taken from printed announcement

*Behind the Curtain*, by John Gunther. New York, Harper, 1949. \$3.00

Writing with his usual verve and swiftness of observation, the world's most famous "insider" looks into the situation of some of the countries of Eastern Europe and the Balkans, giving a good deal of attention to Yugoslavia. The picture he draws is neither all black nor all white but shows there may be many shades of grey behind the Iron Curtain.

## News in the Making

**U.S. POLICY FOCUSES ON BELGRADE:** That the United States is planning to capitalize as strongly as possible on Marshal Tito's defiance of Stalin was indicated last week by two important moves. Washington not only supported Yugoslavia's successful candidacy in the UN Security Council for the seat held by the Ukraine, as against Moscow's support of Czechoslovakia, but announced it was sending George V. Allen, Assistant Secretary of State for Public Affairs, as Ambassador to Belgrade. Mr. Allen succeeds Cavendish W. Cannon who has resigned for reasons of ill-health.

**OPTIMISM ON INDONESIA:** In the face of increased restlessness and threatened outbreaks of violence in East Java, the Dutch and Indonesian negotiators at The Hague have virtually completed agreements on all major outstanding points and have submitted to a special committee the problem of assumption of the national debt by Indonesia. Full transfer of sovereignty to the United States of Indonesia should take place before the end of this year.

**ARAB UNITY:** The Arab League's political committee, meeting in Cairo on October 22, agreed in principle on the formation of a collective security system with a joint defense council and a possible joint supreme command. If implemented, the system will follow the pattern of the Brussels pact for Western Europe. Meanwhile, Premier Nuri as-Said of Iraq relegated to the background one major obstacle to Arab solidarity when he said his government had no immediate plans for a union with Syria, indicating Iraq would take no steps which would foster opposing blocs among the Arab states.

**SUPPLEMENTING THE ECA:** The Administration renewed its campaign to increase American imports with an ECA report on October 22 calling for an additional \$2 billion annually in purchases from Europe to prevent our own exports from dwindling to a "mere trickle." The report was an opening gun in the campaign to liberalize United States customs procedures, as promised in the Washington talks with the British and Canadians last month.

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